

## Message Text

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PAGE 01     PRETOR 03192 201507Z

65

ACTION AF-08

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 L-03 H-02 IO-13 EUR-12 INT-05

/113 W

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R 201453Z JUL 76

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 4956

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

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E.O. 11652: N/A

TAGS: EFIN SF

SUBJ: SOUTH AFRICAN REACTIONS TO FALL IN GOLD PRICE

SUMMARY: A FURTHER RAND DEVALUATION RELATED TO THE DROP IN GOLD PRICE BELOW \$114 HAS BEEN DENIED BY SAG OFFICIALS. WHILE A SUSTAINED FALL IN THE GOLD PRICE WOULD BE COSTLY IN DEALING WITH THE CURRENT ACCOUNT DEFICIT, THE DOMESTIC PSYCHOLOGICAL EFFECT IS ALSO OF CONCERN.

1. RUMORS OF FURTHER DEVALUATION OF THE RAND HAVE BEEN DENIED BY GERALD BROWNE, SECRETARY FOR FINANCE, ACCORDING TO THE PRESS. BROWNE CLAIMED LONG TERM PROSPECTS WERE STILL GOOD AND THAT BALANCE OF PAYMENTS SHOULD IMPROVE WITH RISING PRICES OF OTHER RAW MATERIAL EXPORTS. SIMILAR REMARKS MADE BY FINANCE MINISTER HORWOOD RETURNING FROM HIS US VISIT LAST WEEKEND.

2. COMMERCE DEPT OFFICIAL ALSO DISCOUNTED TALK OF DEVALUATION

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PAGE 02     PRETOR 03192 201507Z

IN DISCUSSION LAST WEEK, NOTING DISAPPOINTING RESULTS FROM

LARGE DEVALUATION IN 1975, LIMITED EFFECT ON SA EXPORTS  
OWING TO FACT THESE ARE CHIEFLY RAW MATERIALS, AND  
UNDESIRABLE INFLATIONARY CONSEQUENCES OF HIGHER IMPORT  
PRICES. THEY ARE LOOKING TOWARD IMPROVED ECONOMIC ACTIVITY  
IN US AND EUROPE AND RISING EXPORT PRICES TO BRING RELIEF  
BY EARLY 1977.

3. DEPUTY GOVERNOR OF RESERVE BANK SAID GOLD PRICE HAD  
WITHSTOOD IMF SALE BUT HE HAD GOOD REASON TO BELIEVE SOVIETS  
MOVED IN IMMEDIATELY AFTERWARD, CAUSING SHARP DROP. WHILE  
A TEN DOLLAR FALL IN PRICE COSTS SOUTH AFRICA \$230 MILLION  
IN CURRENT ACCOUNT, THIS COULD BE COPEDED WITH. PSYCHOLOGICAL  
DAMAGE WAS OF MORE CONCERN. JOHANNESBURG STILL HAD A  
"MINING CAMP" MENTALITY AND BUSINESS ATTITUDES VERY MUCH  
LINKED TO GOLD PRICE TRENDS.

4. ALTHOUGH PREDICTING SOME RECOVERY OF GOLD PRICE. HE  
ADMITTED RECENT EVENTS CAUSED A REVIEW OF MINING PRACTICES  
AND COULD LEAD TO SHIFT TO HIGHER GRADE ORES IN LINE WITH  
POLICY OF WORKING AVERAGE GRADE TO LOWEST LIMIT OF  
PAYABILITY.  
BOWDLER

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## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Authority:** buchant0  
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